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FPE-PIONEER ELECTRIC LIMITED

1967 annual report

Report to shareholders

We are pleased to report that the fiscal year ended June 30, 1967 established record highs both in Sales and Earnings. Sales increased from \$25,900,000 in 1966 to \$30,500,000 in 1967. Net Profit increased from \$1,742,000 in 1966 to \$2,069,000 in 1967, which was commensurate with the increase in Sales.

With the successful completion and testing of a 500 KV (500,000 volt) prototype transformer at the Winnipeg plant early in 1966, the Pioneer Division moved into the new and expanding EHV (Extra High Voltage) market with the confidence of actual achievement. The interest of the electric utility industry of Canada and the United States was demonstrated by the large international attendance at the EHV Symposium held in Winnipeg in September, 1966.

Late in 1966 Pioneer received its first order for a 500 KV transformer. At the same time the Company received an order for a 600 MVA transformer, which will be used as an inter-connection transformer between power systems in the U.S. and Canada.

Because of the DC (Direct Current) transmission developments in the province of Manitoba, the Pioneer EHV Research Laboratory in Winnipeg is conducting research programs in direct current phenomena, along with its alternating current EHV research. The Company is pleased to announce that in association with the English Electric Company of the United Kingdom, it will be supplying some of the DC transmission transformers for the very important project of moving power from the new Kettle Rapids generating station some 600 miles into southern Manitoba.



*R. Noonan,
Vice-Chairman*



*B. W. Ball,
President*

The productive capability of the Pioneer Winnipeg plant has been substantially improved and the output increased through the installation of new winding machines and new automatic plate radiator roll formed fabrication equipment.

As demanded by Pioneer's development in the EHV field, along with the introduction of the new machinery, a more sophisticated quality control system has been installed, and the necessary qualified personnel added to the staff, thus assuring not only higher output but a higher quality of output.

In February, 1967, a new transformer facility went into production at Granby, Quebec. Although the output of this present plant is limited to distribution and small power transformers, along with certain dry type transformers, the large potential of the Quebec market has been recognized and the new Granby plant can be readily expanded to cope with the increasing demands for electricity in the province of Quebec. This new plant was also designed as an efficient source of supply for the unit substation transformers required by the Company's Distribution Products plant also located in Granby.

One of the highlights of the development in the medium voltage circuit breaker field by the Pioneer Division at Winnipeg was a result of the cooperation in depth of the engineers located in the U.S., Canada and Italy. This cooperative effort among corporation engineers has resulted in the successful development of a series of circuit breakers which will meet with world-wide acceptance.

New and important developments have also been made in the use of vacuum interrupters as a switching element. A vacuum interrupter device has been successfully applied to replace the diverter contacts in the Company's on-load tap changing equipment which is fully interchangeable with the present standard open contact interrupter switches. The results of this development will be a further extension of contact life for the interrupters on the on-load tap changing gear, and greatly increased freedom from maintenance of this highly sophisticated electromechanical equipment.

This fiscal year was one of record-breaking production in all phases of the Distribution Products Division—with the possible exception of housing materials. However, and in spite of the serious decline in housing starts, we were able to maintain the previous year's volume and this reflects favourably the acceptability of our product and indicates the vigour of our distribution effort.

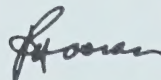
In June, we opened a new and larger FPE Canada plant in Richmond, a suburb of Vancouver, British Columbia. Actual production started in the plant in April and already we have benefited considerably from the new facility. The move from our several former locations was accomplished with a minimum of disruption and at little loss of production.

Currently, we are proceeding with a substantial and badly needed extension to our Granby switchgear plant, as well as a small extension to the main Toronto plant. The value of our unshipped orders and the general activity in the industrial and institutional fields have made these extensions necessary.

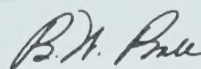
Early in 1967, Mr. F. H. Ferris left the Vice-Presidency (Manufacturing) of this Company to assume a senior position in Federal Pacific Electric Company at Newark, New Jersey. His contribution to the Company, since 1958, has been significant and is happily acknowledged. Mr. K. J. Thompson has been appointed a Vice-President of the Company in his stead.

In the past year, we have added several new product lines which expand the Company's horizons. Already these are showing considerable promise and should favourably affect future earnings. Coincidentally with this extension of operations, we have been very fortunate in securing the services of several new and outstanding people. Our staff, generally, is excellent, and we continue to have agreeable reports from our customers, our distributors, and consulting engineers as to the contribution made to the electrical industry by our people in the field. This, of course, can only continue to be possible if the field people are adequately supported by the factory staff generally.

*Submitted on behalf of the Board of Directors
October, 1967*



R. Noonan, Vice-Chairman



B. W. Ball, President

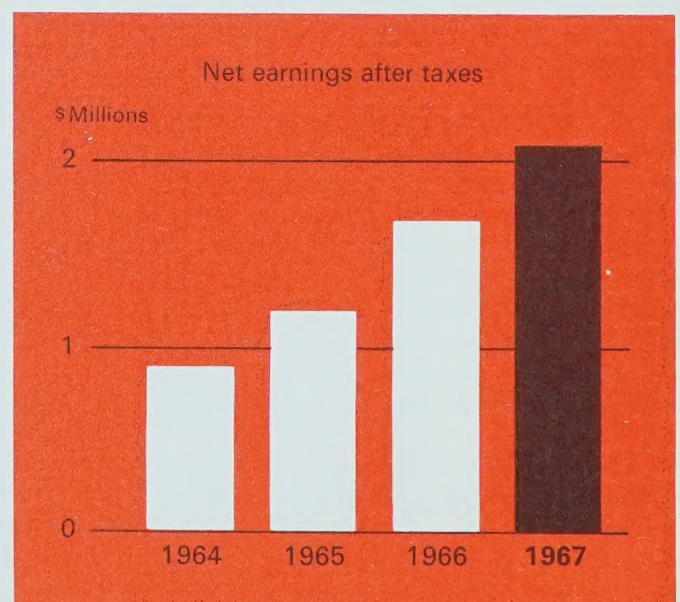
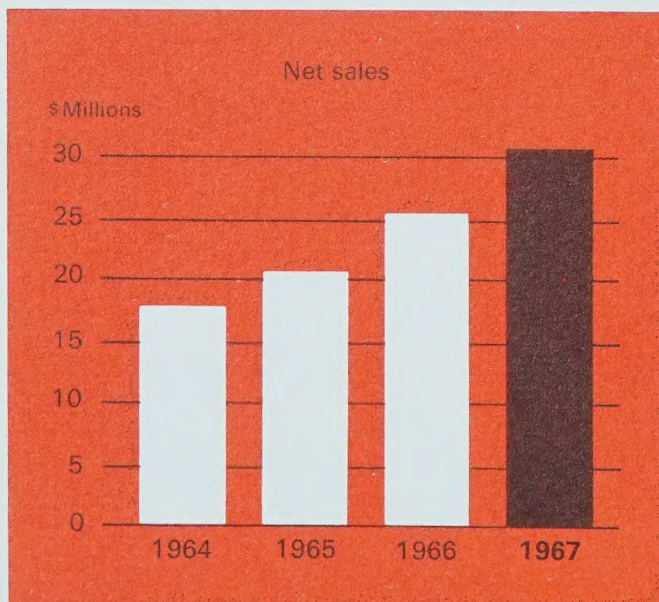
Statement of earnings

*FPE-Pioneer Electric Limited and
Subsidiary Companies
Consolidated statement of earnings
for the year ended June 30, 1967*

*Consolidated statement of retained earnings
for the year ended June 30, 1967*

	1967	1966
Net Sales	<u>\$30,564,488</u>	<u>\$25,925,741</u>
Profit before deducting the undernoted items	<u>\$ 5,068,235</u>	<u>\$ 4,215,279</u>
Deduct:		
Depreciation	417,340	378,506
Amortization of patents	6,013	5,823
Interest on long-term debt	75,289	37,865
Remuneration paid to di- rectors and senior officers	314,038	310,400
	<u>812,680</u>	<u>732,594</u>
Profit before taxes on income	4,255,555	3,482,685
Taxes on income (Note 3)	2,186,000	1,740,180
Net profit	<u>\$ 2,069,555</u>	<u>\$ 1,742,505</u>

	1967	1966
Balance at beginning of year	\$ 5,503,474	\$ 4,417,191
Add – Net profit for the year	2,069,555	1,742,505
	<u>7,573,029</u>	<u>6,159,696</u>
Deduct:		
Dividends declared:		
On 5½% first preference shares	190,922	209,775
On Class A shares	140,683	122,798
On Class B shares	323,960	323,649
	<u>655,565</u>	<u>656,222</u>
Balance at end of year	<u>\$ 6,917,464</u>	<u>\$ 5,503,474</u>



Consolidated balance sheet

Assets

	1967	1966
Current assets :		
Cash	\$ 49,888	\$ 22,300
Accounts receivable—less allowance for doubtful accounts	7,625,927	5,470,789
Due from affiliated companies	612,695	334,362
Inventories, at lower of cost or realizable value	8,839,282	6,965,853
Prepaid expenses and deposits	354,520	175,430
Total current assets	17,482,312	12,968,734
Special refundable tax	94,463	14,750
Fixed assets :		
Property, plant and equipment, cost	7,287,934	5,831,966
Less—Accumulated depreciation	2,553,307	2,130,219
	4,734,627	3,701,747
Excess of cost of shares of subsidiaries over net book value (Note 1)	929,512	852,397
Patents	78,795	81,009
Deferred charges (Note 2)	221,997	29,165

Signed on behalf of the Board
(signed) R. Noonan, Director
(signed) E. W. Darby, Director

\$23,541,706 \$17,647,802

Liabilities

	1967	1966
Current liabilities :		
Bank indebtedness	\$ 2,403,817	\$ 2,095,594
Notes payable—guaranteed by bank	—	2,000,000
Accounts payable	2,413,918	1,440,384
Due to affiliated companies	193,378	90,608
Income taxes payable	955,507	637,852
Other taxes payable	364,888	247,363
Dividends payable	90,436	91,393
Other current liabilities and accrued expenses	772,129	531,102
Current portion of long-term debt	7,121	27,363
Total current liabilities	7,201,194	7,161,659
Deferred income taxes (Note 3)	183,600	66,700
Long-term debt, less current portion (Note 4)	4,646,048	353,169
	12,030,842	7,581,528

Shareholders' Equity

Capital stock : (Notes 5 and 6)		
First preference shares \$50 par value, voting :		
Authorized—183,298 shares		
Issued and fully paid—63,298 shares	3,164,900	3,726,800
Class A and Class B shares without nominal or par value, voting :		
Authorized :		
3,066,808 Class A shares		
1,500,000 Class B shares		
Issued and fully paid :		
277,273 Class A shares (1966—228,921)	977,950	385,450
578,508 Class B shares	450,550	450,550
	4,593,400	4,562,800
Retained earnings	6,917,464	5,503,474
	11,510,864	10,066,274
	<u>\$23,541,706</u>	<u>\$17,647,802</u>

Notes to consolidated financial statements

June 30, 1967

1. Acquisition of FPE Australia Pty. Limited:

Immediately prior to June 30, 1967 the company purchased from Federal Pacific Electric Company 75% of the issued shares of an Australian subsidiary, with the option of acquiring the remaining 25% for a nominal amount. The assets and liabilities of such subsidiary have been consolidated as though it were wholly-owned and the \$929,512 excess of cost of shares of subsidiaries over net book value includes \$77,115 with respect thereto.

2. Deferred charges:

The amount of \$221,997 includes the unamortized cost of debenture discount and other expenses amounting to \$195,670 pertaining to the issue of \$4,300,000 debentures in April, 1967.

3. Deferred income taxes:

As a result of claiming capital cost allowances for income tax purposes in excess of the allowable depreciation charged in the accounts, \$116,900 has been included in the current year's provision for income taxes and added to the total of deferred income taxes.

4. Long-term debt:

6½% secured sinking fund debentures, Series A maturing April 15, 1987; sinking fund payments commence in 1970	\$4,300,000
6½% mortgage loan of subsidiary, repayable in monthly instalments, maturing in 1989	346,048
Total	<u>\$4,646,048</u>

5. Changes during year in capital stock:

(a) During the year 11,238 first preference shares were converted into 44,952 Class A shares at the stated value of \$561,900, thus reducing the authorized first preference capital stock from 194,536 to 183,298 shares and the outstanding from 74,536 to 63,298 shares.

(b) During the year 3,400 Class A shares were issued for cash at \$9 per share in accordance with options previously granted.

6. Capital stock:

5½% cumulative convertible first preference shares, Series A — Each first preference share, Series A is convertible into four Class A shares up to and including January 15, 1979. The conversion rate is subject to adjustment to protect the conversion privilege against dilution in certain events. The first preference shares, Series A are redeemable at a premium of 4½% which reduces periodically until January 15, 1973 and thereafter becomes 2%.

Class B shares —

After February 4, 1969, 55,600 Class B shares may be converted during each dividend year into Class A shares on a share for share basis provided certain conditions have been met with respect to earnings and payment of Class A share dividends. After the Class A shares have received dividends aggregating 56 cents per share and the Class B shares have received dividends aggregating 5.6 cents per share in any dividend year, the Class B shares are entitled to receive additional dividends aggregating 50.4 cents per share before any further dividends are paid on the Class A shares. Additional dividends paid in excess of the 56 cents per share on both classes of shares are to be shared equally on a share for share basis.

Class A shares —

Class A shares are reserved as follows: (a) 253,192 shares for the possible conversion of the 5½% cumulative convertible first preference shares, Series A, (b) 578,508 shares for the possible conversion of the currently outstanding Class B shares, and (c) 12,400 shares to satisfy options granted to certain officers of the company to purchase Class A shares at \$9 per share, exercisable on or before January 22, 1971.

Auditors' Report

To the Shareholders of FPE-Pioneer Electric Limited:

We have examined the consolidated balance sheet of FPE-Pioneer Electric Limited and subsidiary companies as at June 30, 1967 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at June 30, 1967 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
September 1, 1967

(signed) Price Waterhouse & Co.
Chartered Accountants

Consolidated statement of source and application of working capital

FPE-Pioneer Electric Limited and Subsidiary Companies
Consolidated statement of source and application of working capital
for the year ended June 30, 1967

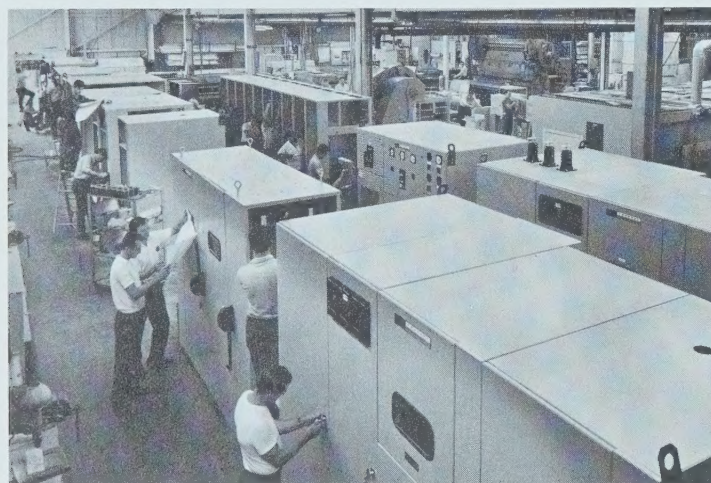
	1967	1966		1967	1966
Source of working capital:			Application of working capital:		
Operations for the year:					
Net profit	\$ 2,069,555	\$ 1,742,505	Fixed asset additions	1,452,513	863,564
Non-cash outlay expenses deducted in determining net profit:			Expenditures on patents	3,799	1,336
Depreciation and amortization	423,353	384,329	Increase in deferred charges	192,832	—
Deferred income tax	116,900	66,700	Dividends declared	655,565	656,222
	540,253	451,029	Non-current refundable tax	79,713	14,750
Total from operations	2,609,808	2,193,534	Decrease in long-term debt other than note to parent company	—	27,363
Proceeds of disposal of fixed assets	2,293	6,118	Cost of shares of subsidiary over net book value	77,115	—
Decrease in deferred charges	—	74,710			
Shares issued	30,600	69,500			
Increase in long-term debt	4,292,879	—			
	6,935,580	2,343,862		2,461,537	1,563,235
			Increase in working capital	4,474,043	780,627
			Working capital at beginning of year	5,807,075	5,026,448
			Working capital at end of year	\$10,281,118	\$ 5,807,075

Plants and offices



1.

2.



FPE-Granby 1 and 2

The FPE Canada Granby plant is presently being extended to serve the growing needs of Quebec and the Atlantic Provinces for industrial and construction activities. Consisting of some 26,000 square feet of factory and office, it is presently being extended by more than 20,000 additional feet—mostly manufacturing space. This will enable us to assemble all of our Granby distribution product operations under one roof. 160 persons are employed in this plant.

Pioneer-Granby 3 and 4

This new manufacturing facility was opened early this year at Granby, Quebec, to house the operations of La Compagnie Electrique Pioneer de Quebec Inc. The principal products of this plant are Dry Type Distribution and Small Power Transformers. The location also serves as a service and repair centre for the Province of Quebec. The plant has a floor area of 22,000 square feet and stands on 15½ acres of property. It currently employs 50 persons.

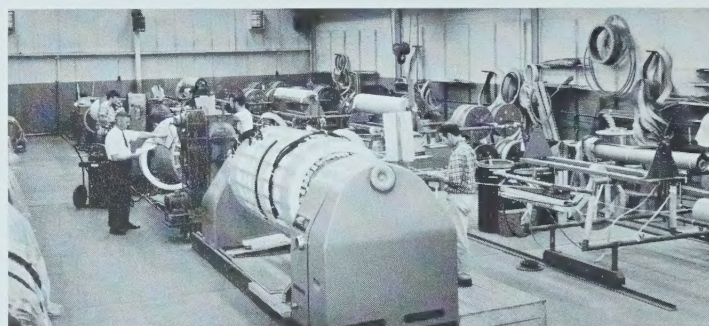
FPE-Tisdale 5 and 6

This modern rented plant of 10,000 square feet and 48 employees is located at 80 Tisdale Avenue, North York, near our main FPE Canada Toronto Distribution Product activities and provides an excellent atmosphere for the production of sophisticated Air Circuit Breakers.



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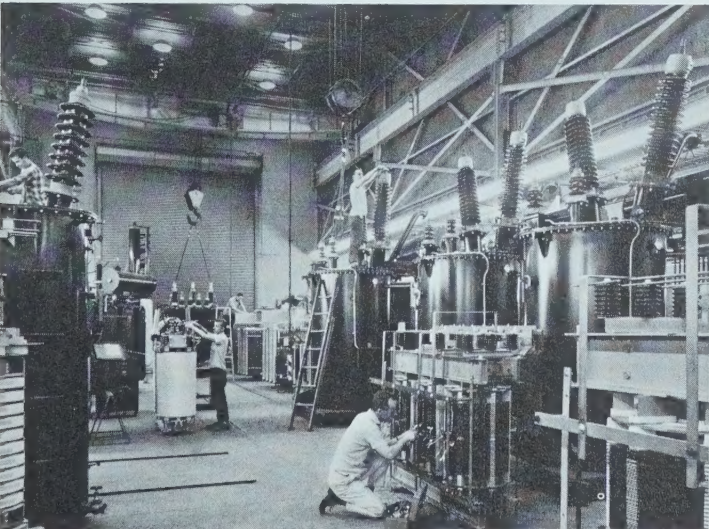


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FPE-Waterman 7 and 10

Presently the FPE Canada plant at 19 Waterman Avenue, Toronto, is being extended to approximately 110,000 square feet to provide better material flow, metal finishing and more efficient handling of finished goods as well as in-plant office space. The interior shot shown here is of a corner of the area where the famous Stab-lok Circuit Breakers are assembled. The Executive Office of FPE-Pioneer is in this plant. 352 persons are employed here.

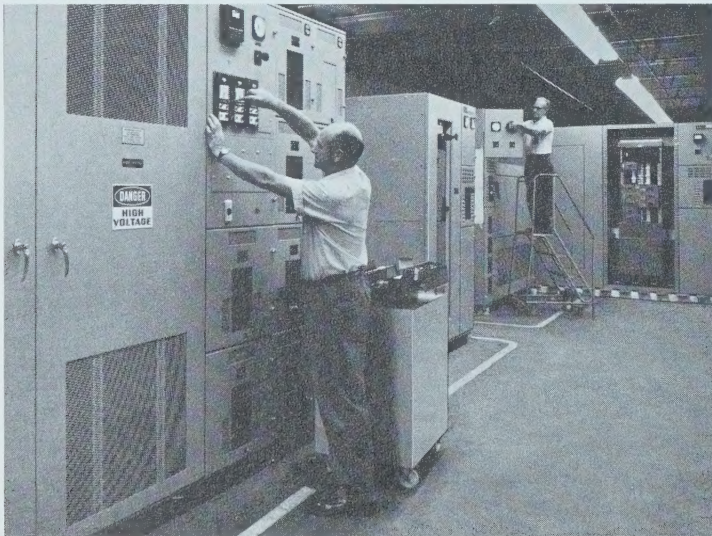
Pioneer-Toronto 8 and 9

The Toronto plant of the Pioneer Electric Division at 445 Horner Avenue, Toronto. This plant has a floor area of 48,000 square feet and has 150 employees. It manufactures Distribution Dry Type Small and Medium Power Transformers.



11.

12.



FPE-Bermondsey 11 and 12

This 35,000 square foot space located at 20 Bermondsey Road, Toronto, was rented to enable us to expand our switchgear assembly operations to take advantage of the large amount of this type of business available to us. Located one block from the main FPE Canada operation, it makes possible a very intensive use of our metal working facilities at Waterman Avenue. The plant provides employment for 132.

Pioneer-Brandon 13 and 14

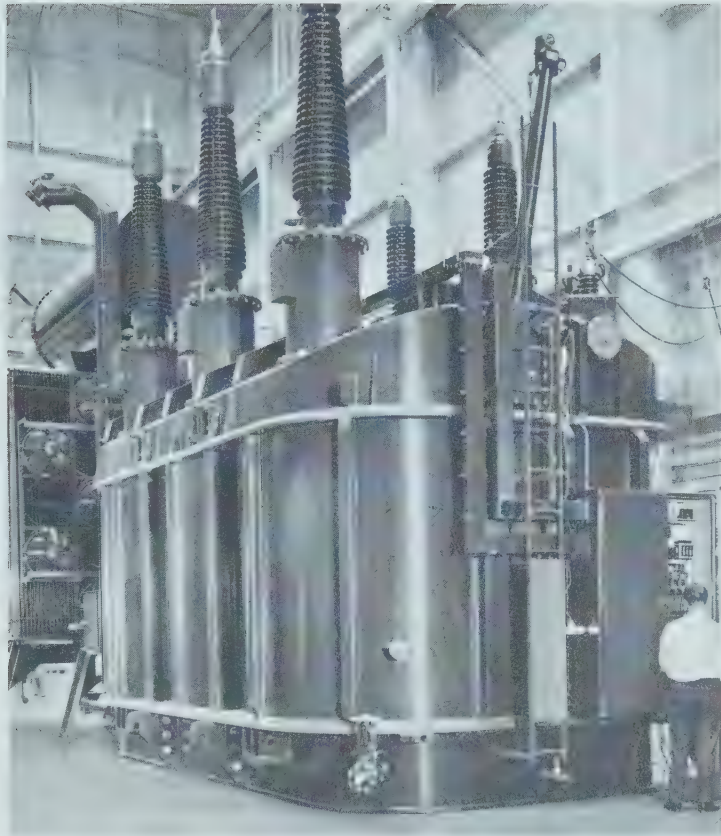
An exterior and an interior shot of the Pioneer Division plant in Brandon. This plant has a floor area of 20,000 square feet and has 130 employees. It manufactures a full line of domestic, commercial and industrial electric heating equipment including thermostats and peak demand system controllers, special moulded case circuit breakers for farm service entrance. It also manufactures specialized communication equipment.

14.



13.





15.

Pioneer-Winnipeg 15 and 16

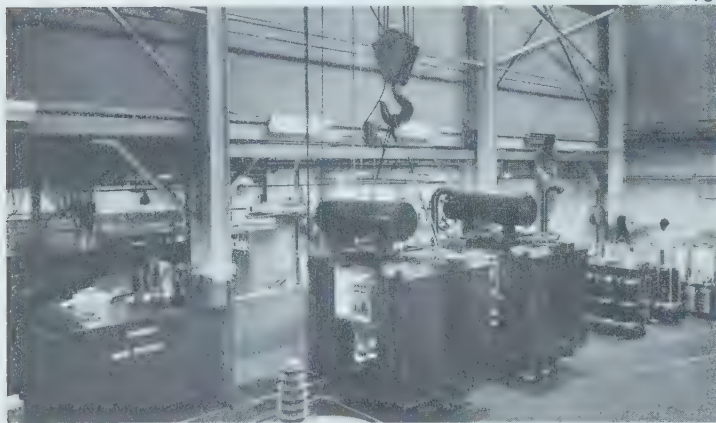
The plant of the Pioneer Division at Winnipeg, Manitoba. This plant has a floor area of 106,000 square feet and employs 375 people. A wide range of products are manufactured here – small, medium, and very large transformers in all voltage classes, specialty transformers including current potential and metering types. Other manufactured items are control reactors on load tap changing equipment, 5 and 15 KV Air Circuit Breakers, and 5 and 15 KV Metalclad Switchgear. The Research and Development Laboratories, as well as the Head Office of FPE-Pioneer, are located here.



16.



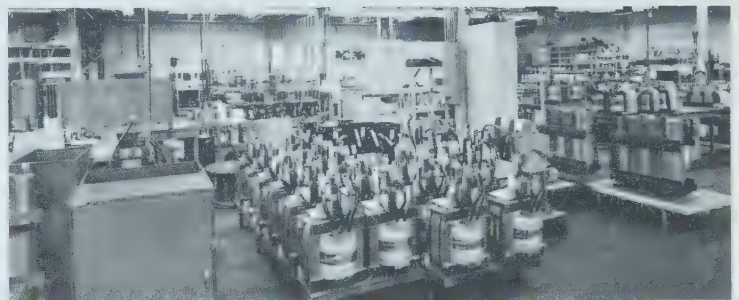
17.



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19.



Pioneer-Saskatchewan 17 and 18

The Regina plant of Pioneer Electric (Sask.) Limited. Floor space 13,000 square feet. This plant is engaged in the manufacture of Dry Type Farm Distribution and Small Power Transformers and is a major repair centre for the Middle West. It employs 60.

Pioneer-Alberta 20 and 21

The Red Deer plant of Pioneer Electric Alberta Limited. This plant serves as a service centre for the Province of Alberta. It also manufactures Dry Type Farm Distribution and Small Power Transformers. It employs 60 and has a floor area of 17,000 square feet.

FPE-Vancouver 19 and 22

This new FPE Canada plant in suburban Richmond, B.C. is located on 7½ acres of land and presently extends over 55,000 square feet of factory, warehouse and office space. It employs 197 people. This facility adequately serves the growing needs of industry and the construction trades in Western Canada.

22.



Federal Pacific Electric of Canada division

Plants

561 Maisonneuve St.,
P.O. Box 550,
Granby, Quebec.

19 Waterman Avenue,
Toronto 16, Ontario.

20 Bermondsey Road,
Toronto 16, Ontario.

80 Tisdale Avenue,
Toronto 16, Ontario.

255 Viking Way,
Richmond, British Columbia.

Sales offices

1078 Robie Street,
Halifax, Nova Scotia.

3233 Tripoli Street,
Ste. Foy 10, Quebec.

R.R. No. 2,
West Shefford, Quebec.

3333 Cavendish Blvd.,
Montreal 28, Quebec.

2627 Coleman Street,
Ottawa 8, Ontario.

377 Brant Street,
Burlington, Ontario.

15 Dianne Court,
Hamilton, Ontario.

75 Glasgow Street North,
Guelph, Ontario.

1157 Prince Philip Drive,
London, Ontario.

12 Tweedsmuir Drive,
North Bay, Ontario.

944 St. James Street,
Winnipeg, Manitoba.

21 Lindsay Drive,
Saskatoon, Saskatchewan.

7814 MacLeod Trail S.W.,
Calgary, Alberta.

11819-145th Street,
Edmonton, Alberta.

Pioneer Electric division

Plants

Bernard Road,
Granby, Quebec.

445 Horner Avenue,
Toronto 14, Ontario.

101 Rockman Street,
Winnipeg 19, Manitoba.

11th and Richmond Streets,
Brandon, Manitoba.

1600 First Avenue,
Regina, Saskatchewan.

5727-53A Avenue,
Red Deer, Alberta.

Sales offices

63 Union Street,
Saint John, New Brunswick.

1515 Mazurette St. West,
Montreal 11, Quebec.

503-119 West Pender Street,
Vancouver 3, British Columbia.

Associated companies

Federal Pacific Electric Company
USA; Newark 1, New Jersey.

Cornell-Dubilier Electric Corporation
Newark 1, New Jersey.

FPE Schaltgerate GmbH
Karlsruhe-Durlach, Germany.

FPE Electric (PTY) Limited
Johannesburg, South Africa.

Sace Bergamo
Italy.

Federal Pacific Electric Ges. m.b.H.
St. Martin-im-innkreis, Austria.

ECC (Moulded Breakers) Ltd.
Wolverhampton, England.

FPE Australia Pty. Ltd.
Sydney, Australia.

Federal Electric Limited
London, England.

FPE-PIONEER ELECTRIC LIMITED

Head office :

101 Rockman Street, Winnipeg 19, Manitoba

Executive offices :

19 Waterman Avenue, Toronto 16, Ontario

Transfer agents for first preference shares :

Canada Trust Company,
Toronto, Montreal, Winnipeg and Vancouver

Transfer agents for class A shares :

National Trust Company, Limited
Toronto, Montreal, Winnipeg and Vancouver



F P E - PIONEER ELECTRIC LIMITED - NOTICE OF CHANGE OF ADDRESS

If your address has been changed please fill in and mail this form

For First Preference Shareholders to:

CANADA TRUST COMPANY, 110 Yonge Street, Toronto 1

For Class A Shareholders to:

NATIONAL TRUST COMPANY LIMITED, 21 King Street East, Toronto 1

STOCK REGISTERED IN NAME OF (TYPE OR PRINT)

NEW ADDRESS

OLD ADDRESS

DATE

Signature of Shareholder

(Sign name exactly as it appears on share certificate)

AR42

REPORT TO
SHAREHOLDERS

FPE

P/E

FPE-PIONEER ELECTRIC LIMITED

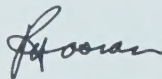
February, 1968.

TO OUR SHAREHOLDERS:

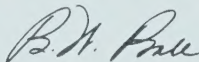
Although we have been successful in increasing our sales volume over the same period in 1966, our earnings have decreased. This can be attributed primarily to a deterioration in selling prices, increasingly evident in the distribution products area of our industry. This factor, together with rising costs of labour and transportation being experienced throughout the industry, has adversely affected profits.

Cost reduction programs are being accelerated by your company to lessen the impact of these higher costs. It should be stated also that the electrical utilities are continuing to expand, as has the use of electrical energy. The continuing expansion of the electrical utilities, the increasing demand for kilowatt hours, the accelerated drive for cost reductions and our expansion into other markets, makes the future promising.

We are glad to report that we have recently purchased a company in Jamaica, Univex Jamaica Limited. We anticipate that this acquisition will enable us to increase our penetration into the expanding Caribbean and South American markets. The contribution to earnings by the Jamaica company will rapidly become evident and should increase over the years.



VICE-CHAIRMAN



PRESIDENT

FINANCIAL DATA

	SIX MONTHS ENDED DECEMBER 31	
	1967	1966
Net Sales	15,776,750	14,320,493
Net Earnings Before Taxes	1,780,147	2,149,838
Provision for Taxes	966,600	1,092,974
Net Earnings After Taxes	813,547	1,056,864
*Earnings Per Share	.82	1.09
		.76

*For comparison purposes the figures shown for all years are calculated after the deduction from earnings of the first preference share dividends paid for the 6 months ended December 31, 1967, and on the total number of Class A and Class B shares outstanding at December 31, 1967—i.e. 892,713.

The above figures are subject to audit and year-end adjustments.